

**SISONKE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2008**

***SISONKE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008***

MUNICIPAL MANAGER

N.M. Mabaso

**ACTING CHIEF FINANCIAL
OFFICER**

L.L.Cunha

**40 MAIN STREET
IXOPO
3276**

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**SISONKE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
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GENERAL INFORMATION

Speaker Cllr. C. N. Ntabeni

Members of the Executive Committee

Mayor	Cllr. J.P. Khoza
Deputy Mayor	Cllr. W.M. Msiya
Councillors (Exco)	Cllr. C.M. Ngcobo
Councillors (Exco)	Cllr. R.Z. Langa
Councillors (Exco)	Cllr. M.J.Mtshali

Councillors

Cllr. T N Jojozi	Cllr. M A Zondi	Cllr Z M Phakathi
Cllr. M F Makhanya	Cllr. M E Mkhize	Cllr. S Mutaka
Cllr. B L Nzimande	Cllr. J Jili	Cllr. T Sosibo
Cllr. T Jali	Cllr. S Mavuma	Cllr. N Langa
Cllr. M Sukede	Cllr. D E Mafa	Cllr. W B Dlamini
Cllr. A Sonzaba	Cllr. J S Mzizi	

GRADING OF DISTRICT MUNICIPALITY

Grade 3

AUDITORS

Auditor General

BANKERS

First National Bank of SA Limited

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REGISTERED OFFICES

Municipal Offices		
40 MAIN STREET	Private Bag X501	039-834 8700
IXOPO	Ixopo	039-834 1729
3276	3276	

MUNICIPAL MANAGER

N.M. Mabaso

ACTING CHIEF FINANCIAL OFFICER

L.L.Cunha

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 1 to 24 were approved by the Municipal manager on the 29 August 2008 and presented to EXCO and Council for approval on the 29 August 2008.

MUNICIPAL MANAGER

N.M. Mabaso

ACTING CHIEF FINANCIAL OFFICER

L.L.Cunha

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FOREWORD BY THE HONOURABLE MAYOR

The financial results for the 2007/2008 financial year reflect positively despite the Council experiencing problems in its Finance Department during the year through several changes in its senior management Structures. Despite these setbacks the Council was able to move forward and deliver on its mandate to eradicate service backlogs and deliver services in terms of its integrated development plan objectives.

My thanks goes to the Municipal Manager and his staff and my fellow councilors for their hard work, and cooperation during the year and the atmosphere in which I have been able to perform my duties.

I believe that with the dedication of everyone at council our work will go along way to achieving gratification of the communities within our Municipal boundary.

THE HONOURABLE MAYOR

Cllr. J.P. Khoza

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1 Operating results

Detailed hereunder are the operating results for the year under review excluding capital expenditure which is reflected separately in this report. The income and expenditure results for the year show an increase of over 60% and 645 respectively and this is mainly attributable to the increased government and provincial grants received.

	Actual	Actual	Variance	Budget	Variance
1.1					
INCOME	2 007	2 008	2007/08	2 008	Budget
	R	R	%	R	%
Opening surplus	24 221 442	34 546 850			
Operating income for the year	74 910 306	125 088 175	60.00%	119 001 789	9.50%
	99 131 748	159 635 025			

	Actual	Actual	Variance	Budget	Variance
1.2					
EXPENDITURE	2 007	2 008	2007/08	2 008	Budget
	R	R	%	R	%
Operating expenditure for the year	66 002 367	102 744 674	64.00%	119 001 789	8.60%
Sundry transfers	(1 417 469)	9 219 833			
Closing surplus	34 546 850	47 670 518			
	99 131 748	159 635 025			

The budget variances are related to the increased grant income received during the year and the fact that many of the intended projects were in the planning or progress stages.

1.3 Water and Sanitation services

	Actual	Actual	Variance	Budget	Variance
	2 007	2 008	2007/08	2 008	Budget
	R	R	%	R	%
Income	10 748 907	24 985 318	232.00%	24 883 377	0.01%
Expenditure	8 262 448	33 784 334	409.00%	24 883 377	36.00%
Surplus/ (Deficit)	2 486 459	(8 799 016)			

The major variances between the previous reporting period, the budget and actual figures relate to the inclusions and excisions of areas between the Districts and other Municipalities in the area.

2 Capital expenditure and financing

An analysis of capital expenditure (budgeted and actual) per department or service is included in Appendix C

The expenditure on fixed assets during the year was as follows:

2.1	Capital expenditure incurred	108 705 622
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2.2 Capital expenditure budgeted for 147 584 830
Actual expenditure is 36% less than that budgeted for and consists of the following:

2.3	Actual 2 008	Budget 2 008	Actual 2 007
water/san	24,449,117	5,019,258	3,095,000
Infrastructure	79,212,300	137,116,317	75,743,215
Other fixed assets	5,044,205	5,449,255	4,879,300
	108,705,622	147,584,830	83,717,515
Resources used to finance the fixed assets were as follows:	Actual 2 008	Budget 2 008	Actual 2 007
Contributions from operating account	2,851,496	16,398,743	13,087,580
Grants and subsidies	105,854,126	131,186,087	70,629,935
External Loan	-	-	-
	108,705,622	147,584,830	83,717,515

3 External loans, investments and cash

3.1 External loans

Loans totalling R5 754 462 (2007 : R659 955) were repaid, and no loans were raised in the 2008 year, leaving a balance of R8 066 352 (2007 : R14 480 769) at 30 June 2008.

3.2 Investments

Investments as at 30 June 2008 amounted to R89 983 580 (2007 : R46 325 899) and were sufficient to cover the following:

Unspent conditional grants	69,303,220
Short term loans	809,683
	70,112,903

3.3 Cash

The bank balance at 30 June 2008 was a positive balance of R8 103 324 (2007 : R9 022 069).

4 Debtors

Current debtors decreased to R39 684 721 at 30 June 2008 from R40 755 952 at 30 June 2007. A significant portion of the outstanding debtors, R20 653 549 (2007 : R12 636 948) relates to outstanding VAT which has now been reconciled with the records of

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the Office of the Receiver of Revenue. This debt will be liquidated in the short term. A bad debt provision of R11 214 960 (2007 : R5 732 002) has been created to provide for possible bad debt write - offs and is based on the Council's current payment ratio of 60% (40% provision)

5

I would like to extend my gratitude to the Mayor, the Finance Committee, the Municipal Manager, the Heads of Department and the staff of the Auditor General for their support and patience. I would also like to express a special thank you to the staff of the Finance department who worked so hard to finalise these annual financial statements and especially for their availability and the assistance unselfishly given to me.

L.L.CUNHA
(Acting) Chief Financial Officer

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**REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND
THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF SISONKE
DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Sisonke District Municipality which comprise the balance sheet as at 30 June 2008, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 14 to 29.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.

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7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The entity's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.

Basis for qualified opinion

Taxes and VAT

9. The Value-Added-Tax (VAT) returns, which were prepared on the payments basis and submitted to the South African Revenue Services (SARS), included an income declaration of R225,018 million, which differed from the revenue cash flows totalling R220,037 million that were recognised in the financial statements. This resulted in an unexplained difference of R4,981 million of which, R7,709 million (credit) and R2,728 million (debit) relates to zero-rated and taxable supplies, respectively.

Qualified opinion

10. In my opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements of the Sisonke District Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA and DoRA.

Emphasis of matter

I draw attention to the following matter:

Restatement of corresponding figures

11. As disclosed in note 26 to the financial statements, the corresponding figures for 30 June 2007 have been restated as a result of an error discovered during the year ending 30 June 2008 in the financial statements of the Sisonke District Municipality at, and for the year ended 30 June 2007.

OTHER MATTERS

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Internal controls

12. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

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Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Taxes and VAT			✓	✓	✓
<p><u>Control environment</u>: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.</p> <p><u>Risk assessment</u>: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.</p> <p><u>Control activities</u>: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.</p> <p><u>Information and communication</u>: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.</p> <p><u>Monitoring</u>: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.</p>					

Non-compliance with applicable legislation

Municipal Finance Management Act

13. An annual risk assessment was not conducted and a fraud prevention plan was not finalised and implemented, as required by section 62(c).
14. The municipality's website was not updated with the information, as required by section 75.
15. Policies and procedures were not approved for critical accounting processes, as required by section 62.
16. Reports were not submitted to National Treasury for contracts that were awarded, which were in excess of R100 000, as required by MFMA circular No. 34, read with section 74(1).
17. The SDBIP was not approved within 28 days of approval of the budget, as required by section 53(1)(c)(ii).
18. The service delivery and budget implementation plan (SDBIP) did not include input indicators and performance targets, as required by section 54(c).

Division of Revenue Act

19. Signed returns on conditional grant spending has not been submitted to the relevant treasury in terms of Section 12 (1) (b), 12 (4) of DoRA and section 71(5) of the MFMA.

Taxes and VAT

20. The municipality did not timeously submit VAT returns to the SARS in terms of section 28(1) of the Value-Added-Tax Act, 1991 (Act No. 89 of 1991) (VAT).

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Matters of governance

21. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matters of governance	Yes	No
Audit committee		
• The municipality had an audit committee in operation throughout the financial year.		✓
• The audit committee operates in accordance with approved, written terms of reference.		✓
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		✓
Internal audit		
• The municipality had an internal audit function in operation throughout the financial year.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		✓
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	✓	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		✓
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		✓
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	✓	
• The prior year's external audit recommendations have been substantially implemented.	✓	
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
• The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.		✓
• The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.		✓
• The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.		✓

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Unaudited supplementary schedules

22. The supplementary information set out on pages 30 to 38 do not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

23. I was engaged to review the performance information.

Responsibility of the accounting officer for the performance information

24. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

25. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
26. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
27. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

Existence and functioning of a performance audit committee

28. The Sisonke District Municipality did not appoint and budget for a performance audit committee, neither was another audit committee utilised as the performance audit committee, as required by section 14(2)(a) of Local Government Performance Management Regulations, which was issued in *General Notice 715*, as published in *Government Gazette No. 28895 dated 31 May 2006*.

Internal auditing of performance measurements

29. The Sisonke District Municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required by section 45 of the MSA.

Performance information not received in time

30. The financial statements submitted for auditing did not include performance information of the municipality, as required by *General Notice 616*, as published in *Government Gazette No. 31057 dated 15 May 2008*, read with section 46 of the MSA.

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APPRECIATION

31. The assistance rendered by the staff of the Sisonke District Municipality during the audit is sincerely appreciated.

Pietermaritzburg

28 November 2008



A U D I T O R - G E N E R A L

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Accounting Policies

1 BASIS OF PRESENTATION

- 1.1** The attached financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers.
- 1.2** The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous year.
- 1.3** Income from water and sanitation is accounted for on an accruals basis.
- 1.4** Re-statement of 2006/2007 balances - Due to significant adjustments required to the 2006/2007 reported figures, the incorporation of Umzimkulu assets and the creation of a new assets register after complete verification of all assets, the balances and reported amounts for 2006/2007 have been amended accordingly.

2 PRESENTATION CURRENCY

The annual financial statements are presented in South African Rand and rounded up to the nearest Rand.

3 GOING CONCERN ASSUMPTION

The annual financial statements are prepared on a going concern basis

4 FIXED ASSETS

- 4.1** Fixed assets are stated :
at the historical cost while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Treasurer.

5 INVESTMENTS

6 Financial instruments

Financial instruments, which include unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks are stated in the annual financial statements at the lower of cost or market value.

7 ACCOUNTS RECEIVABLE

Accounts receivable are stated in the annual financial statements at the value of billings to consumers less a provision for doubtful accounts. The provision for doubtful debts is based on a review of all outstanding amounts at the financial year end and is being accumulated over a period of years authorised by Council. Bad debts are written off in the period that they are identified. Amounts that are receivable within one year are classified as current assets.

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8 ACCOUNTS PAYABLE

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received.

9 REVENUE RECOGNITION

9.1 Exchange transactions

Service charges for water use are based on consumption by consumers as is recorded on each consumers' meter. Meters are read each month and the revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods where meter readings have not been able to be carried out. The revenue from these provisional readings is also recognized as revenue when invoiced. Adjustments to provisional estimates and recognition of the amended revenue arising there from are made in the invoicing period in which meters are read. Revenue from the sale of water prepaid meter cards is recognised in the period in which cash is received.

9.2 Service charges for sanitation services are raised and recognised on a monthly basis in arrears and are based on the application of the approved tariff to each property that has improvements.

9.3 Interest and rentals are recognised on a time proportion basis

9.4 Revenue arising from the application of the approved tariff of charges is recognised when the relevant service has been rendered and the fee has been charged or licences and permits have been issued.

9.5 Income from agency services is recognised on a monthly basis once the income collected for agents has been quantified and once the terms of the agency agreement have been complied with.

9.6 Revenue from the sale of goods is recognised when the risk passes to the consumer.

9.7 Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items are brought into use. A liability is raised when a public contribution has been received but all the conditions have not been met.

10 Non-exchange transactions

10.1 Donations are recognised when cash is received or when property, plant and equipment is brought into use.

10.2 Contributions of property, plant and equipment are recognised when the items are brought into use.

10.3 Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on Act, 2003 (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

11 CONDITIONAL GRANTS AND RECEIPTS

11.1 Revenue received from conditional grants, donations and funding are recognised as revenue to the the

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extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

12 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at the reporting date and adjusted to reflect the current best estimate as follows:

12.1

12.2 Bad and doubtful debts

A provision for bad debt is determined by calculating the debtors payment ratio for the current financial year (accrual/payments) and making contributions from the operating account to account for the possible write off of debts based on the shortfall or non payment percentage.

12.3 Staff leave commitments

Provision is made for the value of leave owing to employees at the financial year end based on the current salary remuneration packages

13 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

13.1

Cash and cash equivalents in the cash flow statement comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

13.2

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred.

13.3

14 UNAUTHORISED EXPENDITURE

Unauthorised expenditure represents expenditure which has been incurred but not budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003). Unauthorised expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue where it is subsequently recovered.

15 IRREGULAR EXPENDITURE

Irregular expenditure excludes unauthorised expenditure and represents expenditure incurred that is contrary to the provisions of the Local Government : Municipal Finance Management Act, 2003 (Act No.56 of 2003) the Municipal Systems Act, 2000 (Act No. 32 of 2000), the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue where it is subsequently recovered.

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16 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure represents expenditure that was made in vain and would have been avoided if reasonable care had been exercised. Fruitless and wasteful expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue where it is subsequently recovered.

17 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the two defined benefit funds and defined contribution fund it administers. Contributions are charged as an expense in the Statement of Financial Performance in the year that they become payable.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are charged as an expense in the Statement of Financial Performance in the year that they become payable.

18 BORROWING COSTS

Borrowing costs are recognised in the Statement of Financial Performance in the year in which they become payable.

19 VALUE ADDED TAXATION

Value added taxation on revenue and expenditure transactions is recorded in the books of the Council on the accrual basis of accounting, however the South African Revenue Services has registered and permitted the municipality to use the payments basis for determining the monthly amounts due to or from the South African Revenue Services.

20 FINANCIAL LEASE AGREEMENTS

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

21 OPERATING LEASE AGREEMENTS

Operating leases are those leases that do not fall within the scope of the definition of a financial lease. Operating lease rentals are charged to the Statement of Financial Performance in the period that they are paid or become due.

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BALANCE SHEET AS AT 30 JUNE 2008

	<u>Notes</u>	<u>2008</u> R	<u>2007</u> R
CAPITAL EMPLOYED FUNDS AND RESERVES			
Capital Development Fund	1	0	5,397,148
Retained Surplus	15	46,018,000	39,306,433
Long Term Liabilities	10	7,256,669	13,104,134
TOTAL		<u>R 53,274,670</u>	<u>R 57,807,715</u>
EMPLOYMENT OF CAPITAL			
Fixed Assets	2	8,066,352	31,162,841
Long-term debtors	4	153,837	153,837
Deposits	5	2,660	2,660
TOTAL		<u>R 8,222,849</u>	<u>R 31,319,338</u>
NET CURRENT ASSETS / (LIABILITIES)			
		<u>R 45,051,820</u>	<u>R 26,488,377</u>
CURRENT ASSETS			
		136,115,106	107,010,803
Debtors	6	38,032,203	26,995,481
Inventory	7	0	439,647
Investments	3	89,983,580	76,053,188
Bank and cash	8	8,103,324	3,220,006
Suspense	9	-4,001	302,481
CURRENT LIABILITIES		91,063,286	80,522,426
Provisions	11	2,942,911	1,407,307
Trust Funds	12	69,303,220	71,110,047
Loans : Short-term Portion	10	809,683	716,679
Creditors	13	17,463,253	1,236,533
Bank and cash	8		26,123
Other Creditors	14	544,218	6,025,737
TOTAL		<u>R 53,274,670</u>	<u>R 57,807,715</u>

Included in this statement are the balances for Water and Sanitation, incorporated on 1 July 2004, details of which can be found in note 19.

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INCOME AND EXPENDITURE STATEMENT - 30 June 2008

2007 Actual income R	2007 Actual expenditure R	2007 Surplus / (Deficit) R		2008 Actual income R	2008 Actual expenditure R	2008 Surplus / (Deficit) R	Budget 2008 Surplus / (Deficit) R
69,508,652	63,081,212	6,427,440	General Administration	100,102,857	63,744,684	36,358,173	38,743,708
23,407,052	12,036,304	11,370,749	Water Services	24,985,318	38,999,990	(14,014,672)	(38,743,708)
<u>92,915,705</u>	<u>75,117,516</u>	<u>17,798,189</u>	TOTAL	<u>125,088,175</u>	<u>102,744,674</u>	<u>22,343,501</u>	<u>-</u>
		17,798,189	Net surplus(Deficit) for the year			22,343,501	
		25,638,911	Adjustment to 2007 Surplus (Deficit) for year Accumulated surplus (Deficit) beginning of the year			39,306,433	
		(4,130,667)	Prior Years Adjustments Transferred to Alfred Nzo			(10,766,606) -4865327	
		<u>39,306,433</u>	Accumulated surplus (Deficit) end of the year			<u>46,018,000</u>	
(Refer to appendix D and note 15 for more details)							

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008			
	Note	2008 R	2007 R
CASH RETAINED FROM OPERATING ACTIVITIES		127,609,009	85,127,326
Cash utilised by operations	17	(61,403,004)	(77,262,705)
Investment Income		8,117,426	2,587,503
Increase in working capital	18	(13,027,021)	25,451,143
		(66,312,599)	(49,224,059)
Less: External interest paid		(1,074,150)	(988,044)
Cash available from operations		(67,386,749)	(50,212,103)
Contributions from Public or Government		194,995,758	135,339,429
CASH UTILIZED IN INVESTING ACTIVITIES		(122,636,013)	(80,315,452)
Decrease(Increase) in Investments	3	(13,930,391)	(18,382,271)
Decrease(Increase) in long-term debtors	4	-	2,825,721
Increase in Deposits		-	-
State Projects	17	-	-
Increase in fixed assets	2	(108,705,622)	(64,758,902)
NET CASH FLOW		4,972,996	4,811,875
CASH EFFECTS OF FINANCING ACTIVITIES		(4,972,995)	(4,811,876)
Increase/ (Decrease) in Long Term Loans	10	(809,683)	(1,492,295)
(Increase)/ Decrease in Suspense	9	306,482	1,674,623
(Increase)/ Decrease in Inventory	7	439,647	-
(Increase)/ Decrease in Cash	7	(4,909,441)	(4,994,204)
NET CASH GENERATED		(4,972,995)	(4,811,876)

This statement reflects the movements for the 2007/2008 financial year with adjustments from 2006/2007 and excludes movements for the balances on Water and Sanitation, excised to Alfred Nzo at 30 June 2008, details of which can be found in note 19.

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NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008	2007
	<u>R</u>	<u>R</u>
1 ACCUMULATED FUNDS		
Asset Financing Fund	-	5,397,148
Balance 1 July 2008	5,397,148	5,397,148
Less Transferred to Alfred Nzo	-743,395	-
Less Contributions to Capital Funding	-4,653,753	-
Plus Interest Credited	-	-
(Refer to appendix A for more detail)	R 0	R 5,397,148

Balances excised reflect the water and sanitation assets in respect of Mtatatiele transferred to Alfred Nzo at 30 June 2008.

2 FIXED ASSETS

Asset Acquisition

Fixed assets at the beginning of the year	469,101,067	241,552,758
Less Transferred to Alfred Nzo	-40,228,337	
Asset Re-valuation and Incorporation of Umzimkulu at 30 June 2007		
Adjustments 2007		
Capital expenditure during the year	108,705,622	64,758,901
Less :Assets written off, transferred or disposed of during the year		-
Total fixed assets	537,578,352	306,311,659
Less : Loans redeemed and other capital receipts	-529,511,999	-258,011,962
: Asset Re-valuation and Incorporation of Umzimkulu at 30 June 2007		
: Depreciation Provision	-	-4,993,624
Net fixed assets	R 8,066,352	R 43,306,073

Balances excised reflect the water and sanitation assets in respect of Mtatatiele transferred to Alfred Nzo at 30 June 2008.

(Refer to appendix "C" for more details on fixed assets)

3 INVESTMENTS

Unlisted		
Short-term deposits - ABSA Bank	5,230,059	4,514,072
Short-term deposits - FNB Ixopo - Call Acc.	330,479	752,804
Short-term deposits - FNB Money Market	5,597,343	205,203

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	2008	2007
	<u>R</u>	<u>R</u>
Short-term deposits - First Rand	6,930,125	7,879,172
Short-term deposits - Nedbank	5,265,319	6,215,622
Short-term deposits - Standard Bank	10,030,450	8,376,754
DLGTA-Umzimkhulu Projects	56,599,804	20,000,000
NEDTERM Money-24 INV Account 18214604-9997	-	
Other		-1,617,730
Total Investments	R 89,983,580	R 46,325,899
Management's valuation of unlisted Investments	R 89,983,580	R 46,325,899
4 LONG TERM DEBTORS		
Ugu District Municipality	153,837	-
An amount of R153 837 was raised against Ugu District Council in respect of Levy income incorrectly paid to the above by Province which has been acknowledged by Ugu District Municipality.		
	R 153,837	R 0
5 REFUNDABLE DEPOSITS MADE		
Refundable Deposits	1,500	1,160
Eskom Deposit	1,160	1,500
	R 2,660	R 2,660
6 DEBTORS		
Sundry Debtors	579,234	402,016
Department of Water Affairs & Forestry		244,627
Allowances overpaid		284,476
R/D cheques	-	105,224
Other Debtors	-	1,933,723
IEC	-	-235,256
SARS VAT	19,001,031	12,636,948
Ingwe	177,800	249,861
Kwa Sani	162,458	231,534
Matatiele	-	2,839,605
Kokstad	1,327,016	
Sewerage		75,006
Water Debtors	16,784,663	21,988,187
Debtors – Water and Sanitation	27,999,623	27,720,189

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	2008 R	2007 R
Less - Provision for Doubtful Debt	-11,214,960	-5,732,002

R 38,032,203	R 40,755,952
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The Debtor balances have been reduced by R4 359 713 for the excision of the Matatiele Water and Sanitation Service.

7 INVENTORY

Stores and Materials- Matatiele	-	439,647
	R 0	R 439,647

With the excision of the Matatiele Water and Sanitation Service, this historic balance has been written off.

8 BANK AND CASH

Cash on hand	7,176	7,176
FNB Kokstad	1,056,195	-934,123
FNB Ixopo	7,039,953	9,975,138
FNB Underberg - Kwa Sani Water Account	-	-26,123
	R 8,103,324	R 9,022,069

9 SUSPENSE

Pay Office Suspense	-4,001	
	-R 4,001	R 0

10 Long Term Liabilities

External Loans	8,066,352	14,058,945
Balance 1 July 2007	13,820,813	14,480,769
Less Transferred to Alfred Nzo	-5,037,783	-
Plus Balance Adjustment	1	-
Less Loans Repaid	-716,679	-421,824
Long Term Portion	7,256,669	12,988,474
Short-term Portion	809,683	1,070,471
(Refer to appendix B for more detail)	R 8,066,352	R 14,058,945

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The External loans have been reduced for the excision of the Matatiele Water and Sanitation Service.		
	2008	2007
	<u>R</u>	<u>R</u>
11 PROVISIONS		
Leave provision	2,942,911	962,728
Audit Fees	-	382,893
Bonus	-	31,686
Working Capital Reserve	-	30,000
(Refer to appendix A for more detail)	R 2,942,911	R 1,407,307
12 TRUST FUNDS		
MIG Grant	136,199	681,000
Change Management Committee	300,000	300,000
Transformation Managers	406,480	262,284
Municipal Monitoring Systems.	185,141	403,521
Civil Protection Grant.	758,757	448,807
Department Water & Forestry.	325,055	200,000
Support Staff Grant	51,685	51,685
I D P Grant	550,497	707,577
Planning Support	5,759,907	12,008,901
Sport and Recreation	782,000	458,500
Municipal Systems Improvement	-	39,883
Public Transport	923,670	640,000
Development Bank of SA	24,462	24,462
Financial Management Grant	680,684	3,488,061
Management Assistance Programme	-	339,443
Learnership Grant	66,587	98,754
GIS Support	141,088	860,207
Ex Matatiele	9,054	9,054
Performance Management System	518,040	518,040
Agricultural Grant	1,503,997	4,301,767
Water Services Development Plan	10,436	969,379
DLGTA-Projects	47,511,034	20,000,000
Local Economic Development	518,008	-
Umzimkhulu Arts Culture and Tourism	4,797,090	-
Unallocated Grants	863,975	-
Gijima	29,375	-
Corridor Development	2,450,000	-
(Refer to appendix A for more detail)	R 69,303,220	R 46,811,324
13 CREDITORS		
Trade Creditors	17,014,418	3,537,160
Stale Cheques	-	25,137
Consumer Deposits	448,835	258,907

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	2008	2007
	<u>R</u>	<u>R</u>
Payments in advance	-	1,125,806
Garnishee		131,621
Retentions	-	16,165,025
Accruals		9,834,540
	<u>R 17,463,253</u>	<u>R 31,078,196</u>

The reduction of creditors is largely due to the reversal of retentions raised.

14 OTHER CREDITORS

Other Municipalities		
Umgungundlovu District Council	-	5,160,857
In terms of an agreement between the two Councils, this liability has been written off.		
Ubhlebezwe	544,218	544,218
Kokstad		847,454
Matatiele		

These liabilities result from the transfer of Water and Sanitation to Sisonke, and reflects the position at June 2008 after the excision of Matatiele.

<u>R 544,218</u>	<u>R 6,552,530</u>
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15 APPROPRIATIONS

	46,018,000	34,546,850
Surplus (Deficit) for previous year	39,306,433	24,221,442
Less Transferred to Alfred Nzo	-4,865,327	
Prior years Adjustments (2)	-10,766,606	1,417,469
Adjustment to 2007 Surplus (Deficit) for year		
Surplus (Deficit) for year	22,343,501	8,907,939

<u>R 46,018,000</u>	<u>R 34,546,850</u>
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Ubhlebezwe Local Municipality has claimed an amount of R914 940 as an administration charges for 2003/2004. In 2004/2005 Kokstad has claimed R1 059 370 all of which have been excluded as there are no agreements which support these claims.

SISONKE DISTRICT MUNICIPALITY
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16 FINANCE TRANSACTIONS	2008 R	2007 R
Total external interest earned/(paid):		
Interest earned	-8,117,426	-2,328,272
External Loans Raised	1	-144,635
Interest paid	1,074,150	1,161,317
	-7,043,275	-1,311,590
Capital Charges debited to operating account:		
Interest: External	1,074,150	1,161,317
Internal		
Redemption: External	716,679	605,633
	1,790,830	1,766,950
17 CASH UTILISED BY OPERATIONS		
Net surplus (deficit) for the year	22,343,501	8,907,939
Appropriations for previous year	-10,766,606	-2,696,092
Depreciation		
Provisions	1,708,003	-327,346
Provisions		
Doubtful Debts	6,254,407	
Capital Expenditure Funding	121,096,726	53,791,683
Interest Earned Capital Development Fund	-	
Internal Loans Redemption Capital Development Fund		
External Loans Repaid		
State Project Grants		
Capital Grants Expended		
Investment Income	-8,117,426	-2,587,503
External Interest Paid	1,074,150	988,044
Capital Receipts	-	
Developers Contributions		
Prior Receipts brought to Account		
State Grants	-194,995,758	-135,339,429
	-R 61,403,004	-R 77,262,705

Income from all state grants has been included as well as the expenditure on special projects funded from these grants.

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	2008	2007
	<u>R</u>	<u>R</u>
18 (INCREASE)/DECREASE IN WORKING CAPITAL		
Decrease/ (Increase) in debtors	-R 23,114,522	-R 22,890,360
Increase/(decrease) in creditors	R 10,745,202	R 27,271,033
Short-term Portion of External Loans	809,683	1,070,471
Increase in Trust Accounts	-R 1,467,383	R 20,000,000
	<u>-R 13,027,021</u>	<u>R 25,451,143</u>

19 EXCISED BALANCES - ALFRED NZO

Assets	0	40,228,337
Funding	0	-34,893,384
Debtors- Consumers	0	4,359,713
Debtors- Consumers VAT	0	617,192
Debtors - Matatiele Municipality	0	2,235,129
Payments in Advance	0	-
Accumulated (Surplus)Deficit	0	-4,865,327
External Loans	0	-5,037,783
Unspent Grant	0	-339,443
Capital Development Fund	0	-743,395
Debtors Output Vat Accrued	0	-617,192
Provisions	0	
Bonus	0	-31,686
Audit Fees	0	-95,322
Leave	0	-45,391
Doubtful Debts	0	-771,449
Bank		
	<u>R 0</u>	<u>R 0</u>

Assets and funding for Mtatiele have been excised from the accounts as the area has been incorporated in the Alfred Nzo District Municipality.

20 COUNCILLORS' REMUNERATION

Mayor's allowance	427,634	395,562
Deputy Mayor's allowance	233,541	216,025
Speaker's allowance	355,729	329,049
Executive Committee Allowance - 3 additional members	527,003	437,777
Councillors' allowance - 17 Councillors	837,277	774,481
Total Councillors' Remuneration	<u>R 2,381,184</u>	<u>2,152,894</u>

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21 AUDITORS' REMUNERATION	2008 R	2007 R
Paid during the year	607,825	887,003
Total Auditors' Remuneration	607,825	887,003

22 RETIREMENT BENEFITS

Employees belong to the following funds within the Natal Joint Municipal Pension/Provident Funds which provide retirement benefits to such employees. This is a compulsory benefit.

- (i) Natal Joint Municipal Pension Fund (retirement)
- (ii) Natal Joint Municipal Pension Fund (superannuation)
- (iii) Natal Joint Municipal Pension Fund (provident)
- (iv) Municipal Councillors Pension Fund

The retirement plan is subject to the Pension Fund Act 1956 with pension being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuation are performed at least every three years. The latest independent valuation of the funds, which indicated that the funds were in a sound financial position, was undertaken on 31 March 1998.

23 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:	133,803,014	147,584,830
Approved and contracted for	38,775,518	18,414,000
Approved but not yet contracted for	95,027,496	129,170,830
This expenditure will be financed from:		
Internal sources	12,909,000	16,398,743
External sources	-	-
Provincial sources	120,894,014	131,186,087

24 RELATED PARTY DISCLOSURES

Key management personnel compensation

Short term employee benefits	1,071,960
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	2008	2007
	<u>R</u>	<u>R</u>
Post employee benefits	10,321	
Other long term benefits	22,100	
Termination benefits	-	-
Share based payment	-	-
Other related party disclosures		
Sisonke district municipality	-	
Subsidiaries	-	
Associates	-	
Joint ventures	-	
Entities with joint control/significant influence over reporting entity	-	
Other	-	
25 CONTINGENT LIABILITIES		
Eskom deposit guarantee expiring on 31 December 2025	200,000	200,000
26 RE-STATEMENT OF 2006/2007 BALANCES		
The 2006/2007 annual financial statements reported balances have been materially adjusted due to: unprocessed transactions for the year being processed, errors thereto, bringing to account of the Umzimkulu assets and the compilation of a new asset register.		

**SISONKE DISTRICT MUNICIPALITY
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APPENDIX A

STATUTORY FUNDS, RESERVES, TRUST FUNDS AND PROVISIONS

	Balance at 30 June 2007	Adjustments 2006/2007	Restated Balance at 30 June 2007	Contributions during the period	Operational expenditure during the period	Balance at 30 June 2008
	R	R		R	R	R
STATUTORY FUNDS						
Capital Development Fund	5,397,148		5,397,148		5,397,148	(0)
	5,397,148	-	5,397,148	-	5,397,148	(0)
TRUST FUNDS						
MIG Grant	12,008,901	8,797,201	20,806,102	57,473,348	72,519,543	5,759,907
Change Management Committee	51,685		51,685			51,685
Transformation Managers	518,040		518,040			518,040
Municipal Monitoring Systems.	300,000		300,000			300,000
Civil Protection Grant.	640,000	1,300,000	1,940,000		1,016,330	923,670
Department Water & Forestry.	4,301,767	(5,065,294)	(763,527)	4,642,840	2,375,316	1,503,997
Support Staff Grant	24,462		24,462			24,462
I D P Grant	403,521	(70,074)	333,447		148,305	185,141
Planning Support	9,054		9,054			9,054
Sport and Recreation	707,577		707,577		157,080	550,497
Municipal Systems Improvement	3,488,061	(662,248)	2,825,813	1,000,000	3,145,129	680,684
Public Transport	98,754	200,000	298,754		232,167	66,587
Development Bank of SA	262,284	144,196	406,480			406,480
Financial Management Grant	448,807	14,334	463,141	500,000	204,384	758,757
Management Assistance Programme	969,379	(586,896)	382,483		372,047	10,436
Learnership Grant	458,500	323,500	782,000			782,000
GIS Support	860,207	(584,052)	276,156	60,000	195,068	141,088
Ex Matatiele						-

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	339,443		339,443		339,443	
Performance Management System	39,883	(39,883)	-			-
Agricultural Grant	200,000	(199,433)	567	600,000	275,512	325,055
Water Services Development Plan	681,000		681,000		544,801	136,199
DLGTA-Projects	20,000,000	16,827,371	36,827,371	43,575,000	32,891,337	47,511,034
Local Economic Development		900,000	900,000		381,992	518,008
Umzimkhulu Arts Culture and Tourism		3,000,000	3,000,000	2,800,000	1,002,910	4,797,090
Unallocated Grants			-	863,975		863,975
Gijima			-	619,466	590,091	29,375
Corridor Development			-	2,450,000		2,450,000
	46,811,324	24,298,723	71,110,047	114,584,629	116,391,456	69,303,220
PROVISIONS						
Audit Fees	382,893		382,893		382,893	-
Leave	962,728		962,728	2,505,154	524,972	2,942,911
Bonus	31,686		31,686		31,686	-
Working Capital Reserve	30,000		30,000		30,000	-
				-	-	-
	1,407,307	-	1,407,307	2,505,154	969,550	2,942,911
TOTAL	53,615,779	24,298,723	77,914,501	117,089,783	122,758,154	72,246,131

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APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Balance at 30 June 2007 R	Adjustments 2006/2007 R	Restated Balance at 30 June 2007 R	Adjustments during the period R	Redeemed or written off during the period R	Balance at 30 June 2008 R
INCA	14,995	7,252	7,743		7,743	-
ABSA 2	3,662,465		3,662,465		3,662,465	-
DBSA 1	22,168	22,169	(1)	(1)		-
DBSA 2	2,157,141	158,840	1,998,301		186,248	1,812,053
DBSA 3	50,384	5,447	44,936		6,337	38,599
DBSA 4	1,375,318		1,375,318		1,375,318	0
DBSA 5	6,990,893	450,307	6,540,585		498,559	6,042,026
Ingwe PIF	119,337	6,171	113,166		7,035	106,131
Kokstad PIF	3,406	1,622	1,784		1,784	-
Kwa Sani PIF	84,662	8,146	76,516		8,973	67,543
	<u>14,480,769</u>	<u>659,955</u>	<u>13,820,813</u>	<u>(1)</u>	<u>5,754,462</u>	<u>8,066,352</u>

INTERNAL ADVANCES BORROWING SERVICES	Balance at 30 June 2007 R	Adjustments 2006/2007 R	Restated Balance at 30 June 2007 R	Received during the period R	Redeemed or written off during the period R	Balance at 30 June 2008 R
Capital Development Fund	1,601,473		1,601,473		1,601,473	-
	<u>1,601,473</u>	<u>-</u>	<u>1,601,473</u>	<u>-</u>	<u>1,601,473</u>	<u>-</u>

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APPENDIX C : ANALYSIS OF FIXED ASSETS

Service	Balance at 30 June 2007	Adjustments 2006/2007	Revised Bal 30 June 2007	Expenditure 2008	Written off transferred	Balance at 30 June 2008
R	R	R	R	R	R	R
Total Council's General	44,979,060	58,576,451	103,555,511	23,044,205	-	126,599,717
Combined Assets	44,979,060	-44,979,060				
Municipal Manager		407,689	407,689	17,760		425,449
Financial Services		5,393,664	5,393,664	1,502,395		6,896,059
Corporate Services		1,345,631	1,345,631	160,807		1,506,438
Economic & Community Services		28,153,676	28,153,676	5,468,621		33,622,298
Technical Services		68,254,852	68,254,852	15,894,622		84,149,474
Water and Sanitation	261,332,599	104,212,956	365,545,555	85,661,417	-40,228,337	410,978,635
TOTAL FIXED ASSETS	306,311,660	162,789,407	469,101,067	108,705,622	-40,228,337	537,578,352
LOANS REDEEMED AND OTHER CAPITAL RECEIPTS	258,011,962	174,932,640	432,944,602	131,460,782	-34,893,384	529,511,999
Capital Grants Expended	231,421,377	174,694,509	406,115,886	105,854,126	-29,976,908	481,993,103
Contributions from current income	2,379,852		2,379,852	24,889,978	-756,502	26,513,328
Capital Receipts	995,787	0	995,787	0	-	995,787
Loans and advances redeemed	23,214,946	238,131	23,453,077	716,678	-4,159,974	20,009,781
Depreciation Provision	4,993,624		4,993,624	-4,993,624		0
NET FIXED ASSETS	R 43,306,074	-R 12,143,233	R 31,162,841	-R 17,761,536	-R 5,334,953	R 8,066,352

**SISONKE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2008**

APPENDIX C1 : ANALYSIS OF FIXED ASSETS

<u>Service</u>	Balance at 30 June 2007 <u>R</u>	Adjustments 2006/2007 <u>R</u>	Revised Bal 30 June 2007 <u>R</u>	Expenditure 2008 <u>R</u>	Written off transferred <u>R</u>	Balance at 30 June 2008 <u>R</u>
ADMINISTRATION	44,979,060	58,576,451	103,555,511	23,044,205	0	126,599,717
LAND AND BUILDINGS	37,837,723	-37,837,723				
FINANCIAL SERVICES		4,825,000.00	4,825,000.00	49,007.43		4,874,007
TECHNICAL SERVICES ECONOMIC & COMMUNITY SERVICES		802,746.49	802,746.49	1,253,016.78		2,055,763
		25,659,200.97	25,659,200.97	5,468,621.45		31,127,822
	37,837,723	-6,550,775	31,286,947	6,770,646	0	38,057,593
ROADS						
TECHNICAL SERVICES		44,526,527.80	44,526,527.80	12,844,812.39		57,371,340
	0	44,526,528	44,526,528	12,844,812	0	57,371,340
VEHICLES						
TECHNICAL SERVICES	2,485,800	8,779,494	11,265,294.00	1,148,000.00		12,413,294
	2,485,800	8,779,494	11,265,294	1,148,000	0	12,413,294
PLANT AND EQUIPMENT						
TECHNICAL SERVICES ECONOMIC & COMMUNITY SERVICES		10,735,332.19	10,735,332.19	536,358.78		11,271,691
		912,456.00	912,456.00			912,456
	0	11,647,788	11,647,788	536,359	0	12,184,147
TOOLBOX	4,655,537	-4,655,537				
FINANCIAL SERVICES		568,663.50	568,663.50	1,453,387.95		2,022,051
CORPORATE SERVICES		1,345,630.71	1,345,630.71	160,807.00		1,506,438
MUNICIPAL MANAGER ECONOMIC & COMMUNITY SERVICES		407,689.00	407,689.00	17,759.62		425,449
		1,582,019.12	1,582,019.12			1,582,019
TECHNICAL SERVICES		924,951.61	924,951.61	112,434.00		1,037,386
	4,655,537	173,417	4,828,954	1,744,389	0	6,573,343
WATER AND SANITATION	261,332,600	104,212,955	365,545,555	85,661,417	-40,228,337	410,978,635

**SISONKE DISTRICT MUNICIPALITY
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For the year ended 30 June 2008**

TECHNICAL SERVICES

261332599. 7	104,212,955	365,545,555.1 5	85,661,416.60	-40,228,337	410,978,635
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TOTAL FIXED ASSETS

R	R	R	R	R -	R
306,311,660	162,789,407	469,101,067	108,705,622	40,228,337	537,578,352

LOANS REDEEMED AND OTHER
CAPITAL RECEIPTS

263,005,586	174,932,640	437,938,226	126,467,158	-34,893,384	529,511,999
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Capital Grants Expended
Contributions from current income
Capital Receipts
Loans and advances redeemed
Depreciation Provision

231,421,377	174,694,509	406,115,886	105,854,126	-29,976,908	481,993,103
2,379,852	0	2,379,852	24,889,978	-756,502	26,513,328
995,787	0	995,787	0	0	995,787
23,214,946	238,131	23,453,077	716,678	-4,159,974	20,009,781
4,993,624	0	4,993,624	-4,993,624	0	0

NET FIXED ASSETS

R				-R	
43,306,074	-R 12,143,233		-R 17,761,536	5,334,953	R 8,066,352

**SISONKE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2008**

APPENDIX D

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDING 30 JUNE 2006**

Actual 2007 R	Budget 2007 R		Actual 2008 R	Budget 2008 R
		INCOME		
		Government and Provincial grants and subsidies		
65,520,362	158,959,688		91,705,118	89,348,789
61,412,350	61,412,000	- Equitable share	80,959,180	80,959,000
4,108,012	97,547,688	- National / Provincial Government	10,745,938	8,389,789
	-	- Public / Local Government		
23,957,390	22,883,377	Operating Income	24,985,318	25,300,000
550,338		levy Income		
20,038,135	17,736,096	Water Sales	19,996,044	19,609,136
3,368,917	5,147,281	Sanitation Income	4,989,274	5,690,864
3,437,953	2,101,971	Other income	8,397,739	4,353,000
3,376,230	1,951,971	Interest on Investments	8,117,426	4,300,000
-	-	Penalty Interest		-
26,150	150,000	Interest on Staff Loans		
35,572		Sundry Income	280,313	53,000
-		Tender Documents		
	571,266	Sale of Assets		
		Surplus Funds		
92,915,705	183,945,036	TOTAL INCOME	125,088,175	119,001,789
		EXPENDITURE		
		OPERATING EXPENDITURE		
32,595,918	42,340,783	Salaries, wages and allowances	41,171,207	40,917,652
27,254,414	25,417,967	General expenses	37,120,392	59,524,175

**SISONKE DISTRICT MUNICIPALITY
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For the year ended 30 June 2008**

4,341,650	7,192,320	Bulk Purchases	5,432,361	3,500,000
6,585,269	6,493,578	Repairs and maintenance	5,618,827	2,791,218
1,399,887	1,200,000	Capital charges	1,790,830	1,950,000
2,940,379	101,300,388	Contributions to funds	8,759,561	10,318,744
		Capital ex Revenue	2,851,496	-
75,117,516	183,945,036	Gross operating expenditure	102,744,674	119,001,789
	-	Less : Amounts recharged		
75,117,516	183,945,036	Net operating expenditure	102,744,674	119,001,789
17,798,189		- SURPLUS(DEFICIT)	22,343,501	-

**SISONKE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2008**

APPENDIX E

**DETAILED INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDING 30 JUNE 2008**

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R	Budget 2007 Surplus/ (Deficit) R	Department	2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R	Budget 2008 Surplus/ (Deficit) R
69,508,652		69,508,652	100,227,522	Operating Income	100,102,857		100,102,857	119,001,789
-	7,170,700	(7,170,700)	(16,185,365)	Executive & Council	-	17,466,895	(17,466,895)	(15,129,798)
	4,187,217	(4,187,217)		Municipal Manager		5,562,639	(5,562,639)	(5,500,000)
	12,147,958	(12,147,958)	(10,544,805)	Financial Services		7,666,349	(7,666,349)	(22,929,788)
	10,802,082	(10,802,082)	(7,581,937)	Corporate Services		16,052,572	(16,052,572)	(7,512,567)
-	4,653,150	(4,653,150)	(10,361,902)	Economic & Community Services	-	10,158,622	(10,158,622)	(18,248,536)
-	24,120,105	(24,120,105)	(25,299,092)	Infrastructure Services	-	6,837,607	(6,837,607)	(10,937,392)
		-		Water Services Authority		5,215,655	(5,215,655)	
23,407,052	12,036,304	11,370,749	(30,254,421)	Water Services	24,985,318	33,784,334	(8,799,016)	(38,743,708)
		-					-	
92,915,705	75,117,516	17,798,189	-	Net surplus/(deficit) for the year	125,088,175	102,744,674	22,343,501	-